

Rec'd. 22 Sep 65
RFD

CONFIDENTIAL

17 SEP 1965

Case No. 6-47

MEMORANDUM FOR: Chief, Procurement Division/OL

ATTENTION : Chief, Industrial Contract Section [REDACTED]

25X

SUBJECT : Report on Analysis of Cost Proposal, Contract [REDACTED]
[REDACTED]

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1. In compliance with your request dated 2 September 1965, we have reviewed the subject cost proposal. The results are shown on the attached Exhibit A and Schedules Nos. A-1 and A-2.

2. Direct labor rates applied to the estimated hours are the actual average hourly rates of the personnel assigned to the various categories as of 1 July 1965, plus a 3% increment for salary increases.

3. The material requirements were priced using experience, catalog prices, vendors' quotations and estimates. The material amount in the contractor's proposal was [REDACTED] in excess of the bill of materials. We have taken exception to this amount plus applicable general and administrative expense.

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4. Overhead used in the contractor's proposal is consistent with bidding and billing rates, as follows:

Research and Development	150%
Quality Control	100%
General and Administrative Expense	7%

The subject contract has the following overhead limitations:

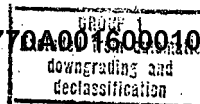
Research and Development	175%
Quality Control	110%
General and Administrative Expense	10%

The contractor's actual overhead rates as of 31 December 1964 were:

Research and Development	293%
Quality Control	114.3%
General and Administrative Expense	16%

Declass Review by NGA.

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SUBJECT: Report on Analysis of Cost Proposal, Contract [REDACTED]

Other cost being as proposed, should the contractor, after completion of this contract, request payment of the difference between bidding rates and the maximum limitation rates, the additional cost would be as follows:

Research and Development
Quality Control
General and Administrative Expense
Additional Cost of Contract

Due to the large amount of funds required to bring the billing rate up to the maximum limitation rate, we suggest that the contracting officer may wish to negotiate the maximum limitation rates down to the bidding rates.

Our analysis does not include any evaluation of the number of man months or type and quantities of material required.

[REDACTED]
Acting Chief
Industrial Contract Audit Division

Attachments:

Exhibit A
Schedule Nos A-1 and A-2

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